

**ST. TAMMANY PARISH  
GRAVITY DRAINAGE DISTRICT NO. 5**

**Financial Statements as of December 31, 2011  
and for the Year then Ended  
and Independent Auditors' Report  
and Required Supplementary Information**

## ST. TAMMANY PARISH GRAVITY DRAINAGE DISTRICT NO. 5

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## INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners  
St. Tammany Parish Gravity Drainage District No. 5  
Covington, Louisiana

We have audited the accompanying financial statements of the governmental activities and the major funds of St. Tammany Parish Gravity Drainage District No. 5 (the District) as of December 31, 2011, and for the year then ended, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards of financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Louisiana Governmental Audit Guide*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major funds of St. Tammany Parish Gravity Drainage District No. 5 as of December 31, 2011, and the changes in net assets and fund balance for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Effective January 1, 2011, the District adopted GASB 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which changed the reporting of fund balance in the balance sheets of governmental fund types.

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In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2012, on our consideration of the St. Tammany Parish Gravity Drainage District No. 5's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 7, budgetary comparison schedule on page 23, and schedule of compensation paid to the Board of Commissioners on page 24 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's response to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Silva Gurtner & Albney, LLC*

June 25, 2012

ST TAMMANY PARISH GRAVITY DRAINAGE DISTRICT NO. 5  
Management Discussion and Analysis  
December 31, 2011

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As management of the St. Tammany Parish Gravity Drainage District No. 5 (the District), we offer readers of the District's financial statements this narrative and analysis of the financial activities of the District for the year ended December 31, 2011. We encourage readers to consider the information presented here in conjunction with the District's financial statements, which can be found on pages 8 through 13 of this report.

Management's Discussion and Analysis (MD&A) is a required element of the reporting model adopted by the Governmental Accounting Standards Board in their Statement No. 34. Its purpose is to provide an overview of the financial activities of the St. Tammany Parish Gravity Drainage District No. 5 based on currently known facts, decisions or conditions.

## **FINANCIAL HIGHLIGHTS**

The assets of the District exceeded its liabilities at the close of the most recent fiscal year. Of this amount, \$317,850 is restricted for capital outlay for drainage projects, and \$377,601 is restricted for bond retirement.

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

### *Government-Wide Financial Statements*

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The government-wide *Statement of Net Assets* presents information on all of the District's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *Statement of Activities* presents information for all the activities of the District's office, from an economic resources measurement focus using the accrual basis of accounting. This statement presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes).

Both of the government-wide financial statements report functions of the District that are principally supported by taxes and intergovernmental revenues. The governmental activities of the District include: general government (administration and District operations), public safety (drainage), and drainage related to highways and streets.

The District is a component unit of the St. Tammany Parish Council. The accompanying financial statements only present information in the funds maintained by the District.

#### Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The primary difference between the government-wide statements and governmental funds statements is that assets are capitalized and depreciated over their estimated useful lives versus expensed in the governmental funds statements. The District has only governmental-type funds.

*Governmental Funds* – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources available at the end of the fiscal year*. Such information may be useful in evaluating a government's near-term financing requirements.

The District maintains three (3) different governmental funds: the general fund, the debt service fund, and the capital projects fund. All funds are reported separately in the governmental funds balance sheet and statement of revenues, expenditures, and changes in fund balances.

The *Balance Sheet – Governmental Funds* details the assets and liabilities of the governmental funds while the *Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets* reflects the differences from the amounts reported in the *Statement of Net Assets*.

The *Statement of Revenues, Expenditures and Changes in Fund Balance* reflects the current year receipt and disbursement of funds and the reconciliation statement reports the differences in the changes in fund balance to the change in net assets of the government activities.

The *Reconciliation Statements* - Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. In doing so, readers may better understand the long-term impact of the government's near-term financing decisions.

The basic governmental fund financial statements can be found on pages 10 through 13 of this report.

#### **NOTES TO THE FINANCIAL STATEMENTS**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 14 through 21 of this report.



## **OTHER INFORMATION**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the St. Tammany Parish Gravity Drainage District No. 5's compliance with its adopted budget. The District adopts an annual appropriated budget for all its funds; and a budgetary comparison statement has been provided for its general fund. The differences between the adopted amended budget and the actual activities are reflected in the *Budgetary Comparison Schedule (Budgetary Basis) – General Fund* can be found on page 23 of this report.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of St. Tammany Parish Gravity Drainage District No. 5, assets exceeded liabilities by \$641,379 at the close of the most recent fiscal period.

The District's investment in capital assets (debt) related to capital assets was \$177,091 over the cost of the capital assets, net of accumulated depreciation. The District's capital assets as of December 31, 2011 consisted of land, land improvements and construction-in-progress. The amount of net assets restricted for capital drainage projects as of December 31, 2011 was \$317,850. Another \$377,601 of its net assets was restricted for the retirement of bonds. The remaining \$123,019 had no restriction as of December 31, 2011.

The Governmental activities of the District increased due to the costs of construction, engineering, and permitting for drainage projects affecting Crestwood Subdivision, Hoffman Road area, Casril Drive and Covington Meadows.

For the current fiscal year, the District increased the ad valorem millage rate from 1 mil to 2 mils in anticipation of future debt payments; therefore, its debt service fund's net asset balance increased from \$326,048 as of December 31, 2010 to \$377,601 as of December 31, 2011.

### **Statement of Net Assets and Statement of Activities**

Our analysis of the funds maintained by the District as a whole begins on page 8. The Statement of Net Assets and Statement of Activities report information about the funds maintained by the District as a whole and about its activities in a way which helps answer one of the most important questions asked about the District's finances. "Is the District, as a whole, better off or worse off as a result of the year's activities?" These statements include all assets and liabilities using the accrual basis of accounting used by most private sector companies. Accrual of the current year's revenue and expenses are taken into account regardless of when the cash was received or paid.

We record the funds maintained by the District as governmental activities in the Statement of Net Assets and Statement of Activities.

All of the expenditures paid from the funds maintained are reported here as governmental activities and consist primarily of fees paid, office expenses, construction contracts and the purchase of marginal undeveloped land. Mandatory fees paid to St. Tammany Parish by land developers finance the operating activities of the District. General obligation bonds finance the

ST TAMMANY PARISH GRAVITY DRAINAGE DISTRICT NO. 5  
Management Discussion and Analysis  
December 31, 2011

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capital expenditures of the District. Property taxes collected within our district pay off the general obligation bonds.

**Comparative Data – 2011 and 2010**

• **Assets**

Cash on Hand: For the year ended December 31, 2011, the District had \$492,118 in cash on hand compared to \$635,170 a year ago. At December 31, 2011, the District had \$367,199 in cash on hand for construction work and \$15,335 on hand for operating costs. It also had \$109,584 in escrow for bond retirement; cash on hand for payment of the obligation bonds decreased \$80,251 during the year ended December 31, 2011.

Capital Assets: For the year ended December 31, 2011 the District had \$1,387,183 in capital assets, net of accumulated depreciation, compared to \$1,318,023 for the year ended December 31, 2010.

• **Liabilities**

General Obligation Bonds: For the year ended December 31, 2011 the District had \$1,495,000 in debt obligations, compared to \$1,650,000 for the year ended December 31, 2010. Total principal of \$165,000 is due within the next 12 months, and \$885,000 is due within five years.

Current Operating Liabilities: For the year ended December 31, 2011, the District had operating liabilities for bookkeeping and professional services, board member compensation, and operational engineering costs. The largest liability was for engineering costs. The nature of liabilities does not significantly change from year to year.

• **Net Assets**

The District had total net assets of \$641,379 for the year ended December 31, 2011 compared to \$519,392 for the previous year. The debt related to the District's capital assets is discussed above (see Liabilities: General Obligation Bonds).

• **Program Revenues**

Drainage Study Reviews: For a fee, the District's engineers perform limited drainage review services for developers' projects within the District's boundaries. The fee collected for the drainage reviews defrays the cost of the engineer's review and adds a minimal surcharge to defray the District's operational costs associated with providing the drainage reviews. In 2011, the District performed 1 review for \$1,000; in 2010, it performed 3 reviews for \$1,500.

Interest: Other revenue to the District consisted of interest earned by our cash accounts. Interest earned on the general obligation debt escrow account is used to retire those bonds; interest earned on the construction account is used for capital outlay; and interest earned on the operating account is used for operations. There has been no significant change in the amount of interest earned from the prior year 2010.



• **General Revenues**

Ad Valorem Taxes: The District recognized a total of \$262,385 in ad valorem tax revenue for the year ended December 31, 2011; compared to \$146,220 for 2010.

• **Capital Expenditures**

Expenditures for capital projects generally consist of engineering fees, wetland permitting fees, legal fees and capital outlays for drainage projects. The primary projects completed in 2011 were the Crestwood Pond improvements and Casril Drive drainage improvements. Construction-in-progress was related to the Hoffman Road drainage project which also affects Walnut Street, and the Covington Meadows drainage project. Capital expenditures increased from 2010 by \$91,139.

**GENERAL AND BUDGETARY HIGHLIGHTS**

Items that were budgeted for our general fund included legal and professional fees, some minor office type expenses and compensation to the Board Members. Ad valorem tax revenues are budgeted on a cash basis.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

The budget developed for next year is based on the money remaining for capital projects and the ability of the District's engineers to develop cost effective drainage solutions with construction plans and documents and the ability to obtain necessary wetland permits and legal access to improve or construct drainage projects. Most of such projects are known. The District also expects to purchase more land for use as detention ponds. Some projects are subject to review by the U.S. Army Corps of Engineers. The District also works with St. Tammany Parish Government on some projects.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide all those with an interest in the District's finances a general overview for the funds maintained by the District and to show the accountability for the money the District receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to either:

Mr. Robert Bergeron, Chairman, or  
Mr. Majure B. Savell, Secretary/Treasurer  
St. Tammany Parish Gravity Drainage District No. 5  
c/o Martin W. Gould, Jr.  
P.O. Box 628  
Covington, LA 70434

**ST. TAMMANY PARISH GRAVITY DRAINAGE DISTRICT NO. 5**  
**STATEMENT OF NET ASSETS**  
**DECEMBER 31, 2011**

**ASSETS**

**CURRENT ASSETS**

Cash and cash equivalents	\$ 492,118
Due from other governmental agencies, net	<u>268,017</u>
Total current assets	760,135

**NON-CURRENT ASSETS**

Debt service costs, net of accumulated amortization	58,335
Land and construction in progress	572,662
Other capital assets, net of accumulated depreciation	<u>814,521</u>
Total non-current assets	<u>1,445,518</u>

<b>TOTAL ASSETS</b>	<b>2,205,653</b>
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**LIABILITIES**

**CURRENT LIABILITIES**

Accounts and retainage payable	49,689
Accrued interest	19,585
Due within one year	<u>165,000</u>
Total current liabilities	234,274

**NON-CURRENT LIABILITIES**

Due in more than one year	<u>1,330,000</u>
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<b>TOTAL LIABILITIES</b>	<b>1,564,274</b>
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**NET ASSETS**

Invested in capital assets, net of related debt	(177,091)
Restricted - capital projects	317,850
Restricted - debt service	377,601
Unassigned	<u>123,019</u>

<b>TOTAL NET ASSETS</b>	<b><u>\$ 641,379</u></b>
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See accompanying independent auditors' report and notes to financial statements.

**ST. TAMMANY PARISH GRAVITY DRAINAGE DISTRICT NO. 5**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

	Expenses	Operating Grants and Contributions	Net (Expenses) Revenues and Changes in Net Assets
GOVERNMENTAL ACTIVITIES			
Drainage	\$ 56,337	\$ -	\$ (56,337)
Interest and fiscal charges	59,924	-	(59,924)
TOTAL GOVERNMENTAL ACTIVITIES	<u>\$ 116,261</u>	<u>\$ -</u>	(116,261)
GENERAL REVENUES			
Ad valorem tax			262,385
Interest and other income			18,611
TOTAL GENERAL REVENUES			<u>280,996</u>
CHANGE IN NET ASSETS			164,735
Net Assets - Beginning of year		519,392	
Prior period adjustment		(42,748)	
NET ASSETS - Beginning of year (as restated)		<u>476,644</u>	
NET ASSETS - End of year			<u><u>\$ 641,379</u></u>

See accompanying independent auditors' report and notes to financial statements.

**ST. TAMMANY PARISH GRAVITY DRAINAGE DISTRICT NO. 5**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2011**

	General	Debt Service	Capital Projects	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 15,335	\$ -	\$ -	\$ 15,335
Restricted cash	-	109,584	367,199	476,783
Ad valorem taxes receivable	-	268,017	-	268,017
<b>TOTAL ASSETS</b>	<b>\$ 15,335</b>	<b>\$ 377,601</b>	<b>\$ 367,199</b>	<b>\$ 760,135</b>
<b>LIABILITIES AND FUND BALANCE</b>				
<b>LIABILITIES</b>				
Accounts and retainage payable	\$ 340	\$ -	\$ 49,349	\$ 49,689
<b>TOTAL LIABILITIES</b>	<b>340</b>	<b>-</b>	<b>49,349</b>	<b>49,689</b>
<b>FUND BALANCE</b>				
Restricted for capital projects	-	-	317,850	317,850
Restricted for debt service	-	377,601	-	377,601
Unassigned	14,995	-	-	14,995
<b>TOTAL FUND BALANCE</b>	<b>14,995</b>	<b>377,601</b>	<b>317,850</b>	<b>710,446</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 15,335</b>	<b>\$ 377,601</b>	<b>\$ 367,199</b>	<b>\$ 760,135</b>

See accompanying independent auditors' report and notes to financial statements.

**ST. TAMMANY PARISH GRAVITY DRAINAGE DISTRICT NO. 5**  
**RECONCILIATION OF BALANCE SHEET - GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF NET ASSETS**  
**DECEMBER 31, 2011**

FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$	710,446
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Amounts reported for governmental activities in the statement of activities are different because:

Capital assets used in governmental activities are not financial resources and therefore not reported in the funds:

Governmental capital assets	1,554,448	
Less: accumulated depreciation	<u>(167,265)</u>	1,387,183

Other assets used in governmental activities are not financial resources and therefore not reported in the funds:

Debt service costs	100,000	
Less: accumulated amortization	<u>(41,665)</u>	58,335

Debt used in governmental activities are not financial uses and therefore are not reported in the funds:

Debt related to capital assets	(1,495,000)
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Accrued interest is not recorded in the governmental funds	<u>(19,585)</u>
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NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$	<u><u>641,379</u></u>
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See accompanying independent auditors' report and notes to financial statements.

**ST. TAMMANY PARISH GRAVITY DRAINAGE DISTRICT NO. 5**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

	General	Debt Service	Capital Projects	Total Governmental Funds
<b>REVENUES</b>				
Ad valorem tax	\$ -	\$ 262,385	\$ -	\$ 262,385
Interest and other income	12,848	4,824	939	18,611
Impact fee revenue	-	-	-	-
Total revenues	12,848	267,209	939	280,996
<b>EXPENDITURES</b>				
General				
Compensation paid to board members	538	-	-	538
Engineering	1,943	-	-	1,943
Legal and professional	8,414	-	-	8,414
Miscellaneous expenses	228	-	-	228
Office expenditures	340	-	-	340
Debt service				
Principal	-	155,000	-	155,000
Interest and fiscal charge	-	59,924	-	59,924
Capital outlay	-	-	107,731	107,731
Total expenditures	11,463	214,924	107,731	334,118
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,385	52,285	(106,792)	(53,122)
INTERFUND TRANSFERS	1,212	(732)	(480)	-
NET CHANGE IN FUND BALANCE	2,597	51,553	(107,272)	(53,122)
FUND BALANCE - Beginning of year	12,398	326,048	467,870	806,316
Prior period adjustments	-	-	(42,748)	(42,748)
Fund balance - Beginning of year (as restated)	12,398	326,048	425,122	763,568
FUND BALANCE - End of year	<b>\$ 14,995</b>	<b>\$ 377,601</b>	<b>\$ 317,850</b>	<b>\$ 710,446</b>

See accompanying independent auditors' report and notes to financial statements.



**ST. TAMMANY PARISH GRAVITY DRAINAGE DISTRICT NO. 5**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ (53,122)
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Amounts reported for governmental activities in the statement of net assets are different because:

Governmental funds report capital outlays as expenditures. The entity is acquiring land which is not depreciable and land improvements which are depreciable. This is the amount by which depreciation expense exceeded capital outlays in the current period.	71,190
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Governmental funds report principal portion of debt as expenditures. In the statement of activities, the principal portion of debt payment reduces the debt.	155,000
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Governmental funds report debt service charges as expenditures. In the statement of activities, the debt service charges are capitalized and amortized over the life of the debt. This is the amount of amortization expense recognized in the statement of activities.	(8,333)
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CHANGE IN NET ASSETS OF GOVERNMENT ACTIVITIES	<u><u>\$ 164,735</u></u>
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See accompanying independent auditors' report and notes to financial statements.

**ST. TAMMANY PARISH GRAVITY DRAINAGE DISTRICT NO. 5**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2011**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The St. Tammany Parish Gravity Drainage District No. 5 (the District) was created for the purpose of creating and maintaining drainage of the area within its boundaries in Western St. Tammany Parish (the Parish). The accounting and reporting policies of the District conform to accounting principles generally accepted in the United States of America applicable to government entities. The following is a summary of significant accounting policies:

**Reporting Entity** – The St. Tammany Parish Gravity Drainage District No. 5 was established by Louisiana Revised Statutes 38:1606 and Police Jury Ordinance PSS No. 93-1792 on July 15, 1993. The District is governed by a Board of Commissioners, which is appointed by the St. Tammany Parish Council (the Parish Council). The District consists of five commissioners who serve four-year terms.

As the governing authority of the Parish, for financial reporting purposes, the St. Tammany Parish Council is the financial reporting entity for St. Tammany Parish. The financial reporting entity consists of (a) the primary government (Parish Council) (b) organizations for which the primary governments are financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Governmental Accounting Standards Board Statement (GASB) No. 14 established criteria for determining which component units should be considered part of the St. Tammany Parish Council for financial reporting purposes. The basic criterion for including a potential component unit with the reporting entity is financial accountability.

The Parish Council approves/appoints the members of the District's Board of Commissioners. The accompanying financial statements present information only on the funds maintained by the District and do not present information on the Parish Council, the general government services provided by that governmental unit, or the governmental units that comprise the financial reporting entity.

**Basis of Presentation** – The accompanying basic financial statements of the District have been prepared in conformity with governmental accounting principles generally accepted in the United States of America. GASB is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The accompanying basic financial statements have been prepared in conformity with GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, issued in June 1999.

**Government-Wide Financial Statements** – The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

**ST. TAMMANY PARISH GRAVITY DRAINAGE DISTRICT NO. 5**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2011**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)**

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The District does not allocate indirect costs.

The government-wide focus is more on the sustainability of the District as an entity and the change in the District's net assets resulting from the current year's activities.

Separate financial statements are provided for the governmental funds.

***Fund Financial Statements*** – The District uses funds to maintain its financial records during the year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain District functions and activities. A fund is defined as a separate fiscal and accounting entity with a self-balancing set of accounts. The various funds of the District are classified as governmental. The emphasis on fund financial statements is on major funds, each displayed in a separate column. A fund is considered major if it is the primary operating fund of the District or its total assets, liabilities, revenues, or expenditures of the individual governmental fund is at least 10 percent of the corresponding total for all governmental funds.

The District reports the following major governmental funds:

*General Fund* – This fund is the primary operating fund of the District. It accounts for all the financial resources except those that are required to be accounted for in other funds.

*Debt Service Fund* – This fund accounts for transactions relating to resources retained and used for the payment of principal and interest on long-term obligations.

*Capital Projects Fund* – This fund accounts for financial resources received and used for the acquisition, construction or improvement of capital facilities not reported in other governmental funds.

***Measurement Focus / Basis of Accounting*** – The amounts reflected in the governmental fund financial statements are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach is then reconciled, through adjustment, to the government-wide financial statements.

**ST. TAMMANY PARISH GRAVITY DRAINAGE DISTRICT NO. 5**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2011**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)**

The amounts reflected in the governmental fund financial statements use the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period, or soon enough thereafter, to pay liabilities of the current period. The District considers all revenues available if they are collected within 60 days after the fiscal year-end. Expenditures are recorded when the related fund liability is incurred, except for interest and principal payments on general long-term debt, which are recognized when due, and other claims, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

The government-wide financial statements are accounted for using an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets and financial position. All assets and liabilities (whether current or non-current) associated with their activities are reported.

The government-wide financial statements are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

***Budgets and Budgetary Accounting*** – The District adopts an annual budget for the general fund as well as its other two funds. The budget is legally adopted and amended as necessary by the District. The general fund budget is adopted on a basis consistent with accounting principles generally accepted in the United States of America.

***Cash and Cash Equivalents and Investments*** – Cash includes amounts in interest-bearing demand deposits. Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less. Under state law, the municipality may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

Under state law, the District may invest in United States bonds, treasury notes, or certificates. These are classified as investments if their original maturities exceed 90 days; however, if the original maturities are 90 days or less, they are classified as cash equivalents. Investments are stated at market value.

***Capital Assets*** – General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in the capital projects fund. All purchased fixed assets are valued at cost where historical records are available and at estimated historical costs where no historical records exist. Donated fixed assets, if any, are valued at their estimated fair market value on the date received. The costs of normal maintenance and repairs that do not add value to the asset or materially extend asset lives are not capitalized. Capital assets greater than \$25,000 and with a useful life greater than one year are capitalized. Land improvements are depreciated using the straight-line method over 25 years.

**ST. TAMMANY PARISH GRAVITY DRAINAGE DISTRICT NO. 5**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2011**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)**

*Pension Plan and Compensated Absences* – There are no employees of the District. Accordingly, the District does not contribute to a pension plan and has no formal vacation and sick leave policy.

*Long-Term Obligations* – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities' statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the lives of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

*Use of Estimates* – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenditures, and expenses during the reporting period. Actual results could differ from those estimates.

*Fund Balance* – On January 1, 2011, the District adopted GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which changed the reporting of fund balance in the balance sheets of governmental type funds. In fund financials, fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the District is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Fund balance is reported in five components – nonspendable, restricted, committed, assigned and unassigned.

*Nonspendable* – This component consists of amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

*Restricted* – This component consists of amounts that have constraints placed on them either externally by third-parties (bond creditors) or by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the District to assess or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement (compelled by external parties) that those resources be used only for the specific purposes stipulated in the legislation.

*Committed* – This component consists of the amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the District's Board. Those committed amounts cannot be used for any other purpose unless the District removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed previously to commit those amounts.



**ST. TAMMANY PARISH GRAVITY DRAINAGE DISTRICT NO. 5**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2011**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)**

***Fund Balance, (continued) –***

*Assigned* – This component consists of amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed.

*Unassigned* – This component consists of amounts that have not been restricted, committed or assigned to specific purposes within the general fund. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources (committed, assigned and unassigned) are available for use.

The District has no nonspendable, committed, or assigned fund balances as of December 31, 2011.

*Net Assets* – Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any debt proceeds used for the acquisition, construction, or improvements of those assets.

**NOTE B – PRIOR PERIOD ADJUSTMENT**

The District identified and recorded a prior period adjustment in both the government-wide financial statements and the fund financial statements, decreasing net assets/fund balance by \$42,748. The adjustment is related to removal of prior year asset amounts to correct the land deposits balance of the prior year.

**NOTE C – AD VALOREM TAXES**

Ad valorem taxes are levied each November and billed in December. These taxes are due in January of the following year. Any unpaid taxes are collected in connection with an auction held in May. The Sheriff's department bills and collects the District's ad valorem taxes. Ad valorem taxes are levied based on property values determined by the St. Tammany Parish Assessor. All land and residential improvements are assessed at ten percent of its fair market value, and other property at fifteen percent of its fair market value.

The District's ad valorem tax revenues are recognized when levied to the extent that they are determined to be currently collectible.

The District is authorized to levy an ad valorem tax of 2.00 mills, commencing in 2011 and ending in the year 2019. The tax is to be used for the purpose of engineering, constructing, improving and maintaining gravity drainage within its boundaries within St. Tammany Parish and repayment of required bond amounts.



**ST. TAMMANY PARISH GRAVITY DRAINAGE DISTRICT NO. 5**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2011**

**NOTE C – AD VALOREM TAXES, (continued)**

*Allowance for Uncollectible Receivables* – The District's primary revenue source, ad valorem taxes, becomes delinquent if not paid by March 1 following the year of assessment. Unpaid taxes attach as an enforceable lien of property. The Board of Commissioners determined, based on research of historical information, that current collections are approximately 92.0% of the tax levy. At December 31, 2011, the amount of estimated uncollectible receivables was \$23,306.

**NOTE D – CASH AND CASH EQUIVALENTS**

The following is a summary of cash and cash equivalents (book balances) at December 31, 2011:

Interest-Bearing Demand Deposits	<b><u>\$ 492,118</u></b>
----------------------------------	--------------------------

These deposits are stated at cost, which approximates market.

Under state law, these deposits (or the resulting bank balances of \$494,428) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent bank. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

*Custodial Credit Risk* – Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of December 31, 2011, deposits were entirely insured or collateralized with securities held by a mutually acceptable third party financial institution in the District's name, which is considered an investment credit risk as defined by the Governmental Accounting Standards Board.

**NOTE E – CERTIFICATES OF INDEBTEDNESS**

The District, pursuant to an election and authority granted by the State Bond Commission, was authorized to levy a tax of 2.00 mills (previously 1.00 mill) for the period from 2011 through 2019. In November 2006, the District authorized the issuance of \$1,860,000 of General Obligation Refunding Bonds for the purpose of refunding \$1,760,000 of the District's outstanding Series 1999 General Obligation Bonds. The additional \$100,000 of indebtedness was for the payment of bond issuance costs, which was capitalized on the statement of net assets, and amortized over the life of the new bonds beginning in 2007. These bond certificates mature on March 19, 2019 and bear interest at 3.93%.

The long-term debt outstanding as of December 31, 2011, for these bonds was \$1,330,000, and the current portion was \$165,000. For the year ended December 31, 2011, \$8,333 of bond issuance cost was amortized.

**ST. TAMMANY PARISH GRAVITY DRAINAGE DISTRICT NO. 5**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2011**

**NOTE E – CERTIFICATES OF INDEBTEDNESS, (continued)**

The following is a summary of the Series 2006 certificates of indebtedness transactions of the District for the year ended December 31, 2011:

Balance at January 1, 2011		\$ 1,650,000
Certificate issued		-
Principal payments		(155,000)
		<u>\$ 1,495,000</u>
Balance at December 31, 2011		<u>\$ 1,495,000</u>
<u>Year Ending</u> <u>December 31,</u>	<u>Principal Due</u>	<u>Interest Due</u>
2012	\$ 165,000	\$ 55,511
2013	170,000	48,929
2014	175,000	42,149
2015	185,000	35,075
2016	190,000	27,707
2017-2019	610,000	36,746
	<u>\$ 1,495,000</u>	<u>\$ 246,117</u>
Total		

**NOTE F – CAPITAL ASSETS**

The District purchases land for detention ponds and improves the property to aid in its drainage projects. During the year ended December 31, 2011, the District incurred \$94,935 in land improvements for drainage projects. Additionally, the Crestwood and Casril Projects were completed as of December 31, 2011. Therefore, all costs associated with these projects were removed from construction in progress and included with land improvements for the year ended December 31, 2011.

	<u>Beginning</u> <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u> <u>Balance</u>
Capital assets not being depreciated				
Land	\$ 541,070	\$ -	\$ -	\$ 541,070
Construction in progress	20,825	10,767	-	31,592
Total capital assets not being depreciated	<u>561,895</u>	<u>10,767</u>	<u>-</u>	<u>572,662</u>
Capital assets being depreciated				
Land improvements	886,851	94,935	-	981,786
Less: accumulated depreciation	(130,723)	(36,542)	-	(167,265)
Total capital assets being depreciated, net	<u>756,128</u>	<u>58,393</u>	<u>-</u>	<u>814,521</u>
Total capital assets, net	<u>\$ 1,318,023</u>	<u>\$ 69,160</u>	<u>\$ -</u>	<u>\$ 1,387,183</u>

**ST. TAMMANY PARISH GRAVITY DRAINAGE DISTRICT NO. 5**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2011**

**NOTE G – CONCENTRATION OF REVENUES**

Of the District's revenues, \$262,385 (93%) is obtained through a single source, ad valorem taxes, for the year ended December 31, 2011.

**NOTE H – RELATED PARTY TRANSACTIONS**

During the year ended December 31, 2011, one of the Board members paid the required debt service interest amount due out of personal funds. With Board approval, the Board member was then reimbursed during the year for the amount of debt service interest paid plus the amount of the wire transfer fee incurred with the payment. There was no amount payable to or receivable from this Board member as of December 31, 2011.

As per Louisiana Revised Statute 33:405(G), commissioners are entitled to receive \$30 for each board meeting attended, up to two meetings per month. The secretary/treasurer is entitled to receive \$50 per each board meeting attended, up to two meetings per month. For the year ended December 31, 2011, not all Board members elected to receive any payments for attendance at meetings. The total amount paid to Board members for attendance at meetings was \$500 for the year ended December 31, 2011.

**NOTE I – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through the date that the financial statements were available to be issued, June 25, 2012, and determined that no events occurred that require disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**ST. TAMMANY PARISH GRAVITY DRAINAGE DISTRICT NO. 5**  
**BUDGETARY COMPARISON SCHEDULE (BUDGETARY BASIS) -**  
**GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

	GENERAL FUND			Variance
	Original Budget	Amended Budget	Actual	Favorable (Unfavorable)
REVENUES				
Interest and other income	\$ -	\$ 13,008	\$ 12,848	\$ (160)
Total revenues	-	13,008	12,848	(160)
EXPENDITURES				
Compensation paid to board members	500	550	538	12
Engineering	3,000	1,750	1,943	(193)
Legal and professional	6,200	8,450	8,414	36
Miscellaneous expenses	500	210	228	(18)
Office expenditures	800	350	340	10
Total expenditures	11,000	11,310	11,463	(153)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(11,000)	1,698	1,385	(313)
INTERFUND TRANSFERS	-	-	1,212	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER SOURCES	\$ (11,000)	\$ 1,698	\$ 2,597	\$ (313)

See accompanying independent auditors' report.

**ST. TAMMANY PARISH GRAVITY DRAINAGE DISTRICT NO. 5**  
**SCHEDULE OF COMPENSATION PAID TO THE**  
**BOARD OF COMMISSIONERS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

<u>Board Member</u>	<u>Amount</u>
<b>Robert P. Bergeron, Chairman</b> 70216 Carmel Road, Mandeville, LA 70471	\$ -0-
<b>Martin W. Gould, Jr., Vice Chairman</b> 300 Buckthorn Circle, Covington, LA 70433	\$ -0-
<b>J. Paul Dyer, Treasurer (resigned in November)</b> 213 Robinhood Drive, Covington, LA 70433	\$ 350
<b>Majure B. Savell, Treasurer (appointed in November)</b> 104 Diana Court, Covington, LA 70433	\$ -0-
<b>Thomas J. Laizer, Commissioner</b> 21180 Soell Drive, Abita Springs, LA 70420	\$ 150
<b>Peter E. Perrson, Commissioner</b> 57 Walnut Place, Covington, LA 70433	\$ -0-

See accompanying independent auditors' report.



**OTHER INDEPENDENT AUDITORS' REPORT**



Certified Public Accountants & Consultants

Brent A. Silva, CPA  
Craig A. Silva, CPA\*  
Thomas A. Gurtner, CPA\*  
Kenneth J. Abney, CPA, MS Tax\*

\*Limited Liability Company

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Commissioners  
St. Tammany Parish Gravity Drainage District No. 5  
Covington, Louisiana

We have audited the accompanying financial statements of the governmental activities and each major fund, which collectively comprise the basic financial statements of St. Tammany Parish Gravity Drainage District No. 5 (the District) as of and for the year ended December 31, 2011, and have issued our report thereon dated June 25, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

The District's Board of Commissioners is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *material weakness* is a deficiency, or combination of significant deficiencies, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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### Compliance and Other Matters

As part of obtaining reasonable assurance about whether St. Tammany Parish Gravity Drainage District No. 5's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements; noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the use of management and the Louisiana Legislative Auditor, and is not intended to be, and should not be, used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

*Silva Gurtner & Alney, LLC*

June 25, 2012

**ST. TAMMANY PARISH GRAVITY DRAINAGE DISTRICT NO. 5  
SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

**SECTION I – Summary of Auditors' Results**

Financial Statements

Type of auditors' report issued:	Unqualified	
Internal control over financial reporting:		
Material weaknesses identified?	_____ yes	_____ <u>X</u> no
Significant deficiencies identified not considered to be material weaknesses?	_____ yes	_____ <u>X</u> no
Noncompliance material to financial statements noted?	_____ yes	_____ <u>X</u> no

Federal Awards

Internal control over major programs:	
Material weaknesses identified?	_____ <u>N/A</u>
Significant deficiencies identified not considered to be material weaknesses?	_____ <u>N/A</u>
Type of auditors' report issued on compliance for major programs:	_____ <u>N/A</u>
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	_____ <u>N/A</u>
Identification of major programs:	_____ <u>N/A</u>
Dollar threshold used to distinguish between Type A and Type B programs:	_____ <u>N/A</u>
Auditee qualified as low-risk audit?	_____ <u>N/A</u>

**SECTION II - Financial Statement Findings**

None noted.

**SECTION III - Federal Award Findings and Questioned Costs**

Not applicable.

**ST. TAMMANY PARISH GRAVITY DRAINAGE DISTRICT NO. 5**  
**SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

**Section II – Internal Control and Compliance – *Government Auditing Standards***

**2010-1 – Controls over Disbursements**

***Finding*** – During our test of disbursements, it was noted that there were several instances where invoices were overpaid. The amounts of the overpayments were insignificant; however, the sum of these overpayments in addition to amounts of overpayments that were not discovered by our audit procedures could result in misstatements.

***Recommendation*** – It was recommended that the disbursement amount be verified with the corresponding invoice by each authorized check signer.

***Status of finding, corrective action, and management's response*** – Resolved. During the testing of current year disbursements, we noted no instances where invoices were overpaid.

**2010-2 – Receipt of Ad Valorem Taxes**

***Finding*** – During our test of Ad Valorem taxes, it was noted that one payment indicated as being issued to the District by the Tax Collector did not appear to be deposited into the District's bank account. The auditor was not able to determine whether these payments had actually been received by the District.

***Recommendation*** – On an annual basis, management should verify with the Tax Collector as to the amount of Ad Valorem tax remitted to the District to ensure that all payments have been properly received and deposited by the District.

***Status of finding, corrective action, and management's response*** – Resolved. The District now receives their disbursements via wire transfer.

**2010-3 – Controls Over Other Income**

***Finding*** – During the test of other income, it was noted that the District was unable to provide documentation supporting the amount and the reason for the deposit of other income.

***Recommendation*** – It was recommended that a member of management be charged with the responsibility of ensuring that adequate documents are maintained.

***Status of finding, corrective action, and management's response*** – Resolved. During the testing of current year other income, we noted no instances where the District was unable to provide proper documentation.

**ST. TAMMANY PARISH GRAVITY DRAINAGE DISTRICT NO. 5  
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

**2010-4 – Monitor the Recording of Expenses and Income**

***Finding*** – The auditor noted several instances whereby expenses and income were incorrectly coded. The miscoding of expenses and income may result in inaccurate monthly financial statements and increased time reconciling accounts at month and year end.

***Recommendation*** – It was recommended that account classification be accurately recorded on the check stub at the time the check is written and on the deposit source document, when the details and nature of the disbursement and deposit is fresh in mind.

***Status of finding, corrective action, and management's response*** – Resolved. During the testing of current year income and expenses, we noted no instances of incorrect coding.

**Section III – Findings and questioned costs for federal awards under OMB Circular A-133**

Not applicable.